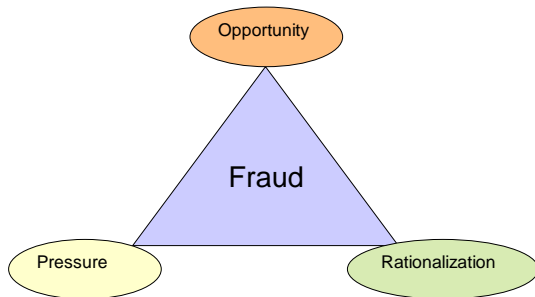


Accounting Internal Controls for Clerks of the circuit court

June 2011

Cressey's Fraud Triangle



Internal Controls

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

Control Environment

- Integrity and Ethical Values
- Commitment to Competence
- Philosophy and Operating Style
- Organizational Structure
- Assignment of Authority & Responsibility
- Human Resource Policies and Practices
- Oversight

Risk Assessment

- Established Objectives
- Activity level objectives are linked to Clerk and county objectives
- Risk Identification
- Risk Analysis
- Managing Risk During Change

Control Activities

- Relate to every other element of internal control
- General
 - Policies and Procedures
 - Communicated
 - Implemented

Common Areas of Control Activities

- Reviews and Approvals
- Management of People
- Managing IT Systems
- Physical Safeguards
- Performance Measures
- Segregation of Duties
- Execution of Transactions & Events
- Recording Transactions & Events
- Access Restrictions
- Documentation

Information and Communication

- ☐ Important information identified and communicated upward
- ☐ Management's messages are clearly communicated
- ☐ Means of communication are appropriate and specified



Monitoring

- Strategy to monitor and make certain appropriate actions are taken based on monitoring
- Information is flowing to management from within and from the outside
- Appropriate Supervision
- Comparisons or reconciliations of data & assets
- Audit Resolution

Areas for Clerks to Review

- Reconciling (20)
 - Bank to Ledger
 - Control and Subsidiary Ledgers
- Old Outstanding Checks(6)
- ☐Cash Collections
 - ☐Specific Procedures
 - ☐Separate Cash Drawers
- ☐Segregation of Duties

Reconciling

- Bank Statements must be reconciled at least monthly per IC 5-13-6-1.
- Subsidiary ledgers and control ledgers should be routinely reconciled.
- Consider Case Management and Financial Reconciliation.
- Identify and Correct Errors detected in a timely manner.



Segregation of Duties

- This is a process of identifying incompatible duties and assigning them to different individuals.
- This is part of the Form 7 that the field examiners may ask you to complete for the internal control evaluation we are required to perform as part of your audit.

Cash Receipts	Clk	1st	2nd A	2nd B	3rd	A	BD COM	CC	NA
Open mail and write receipt				X	X				
Receive money, issue official receipts			X	X	X				
Take off cash register totals		X							
Balance cash drawer or cash register		X							
Make up bank deposits		X							
Take deposits to bank or remit to receiving officer	X	X							
Post receipts			X	X	X				
Access to computer system to make adjustments	X	X							
Approves adjustments	X	X							

Cash Receipts (con't)	Clk	1st	2nd A	2nd B	3rd	A	BD COM	CC	NA
Post credits to accounts receivable									X
Prepare customer billings									X
Mail billings or statements									X
Approve bad debt write offs							X	X	
Approve accounts receivable adjustments									X
Issue permits, licenses, etc.									X

Cash Disbursements for Purchases	Clk	1st	2nd A	2nd B	3rd	A	BD COM	CC	NA
1. Authorize purchases	X								
2. Prepare purchase orders	X	X							
Certify receipt of goods or									
3. services		X							
4. Audit claims						X			
Approve claims - Disbursing						X	X		
5. Officer									

<u>Cash Disbursements</u>	Clk	1st	2nd A	2nd B	3rd	A	BD COM	CC	NA
Write checks	X	X							
Post checks	X	X							
Sign checks - Control of signature stamp	X	X							
Mail or distribute checks		X	X	X	X				
Custodian of petty cash	X								
Custodian of investments	X								
Access to check stock	X	X							
Access to computer system to make adjustments	X	X							
Approves adjustments	X	X							

<u>Cash</u>	Clk	1st	2nd A	2nd B	3rd	A	BD COM	CC	NA
1.Receives bank statement in mail and opens it		X							
2.Compares checks cleared to disbursements posted		X							
3.Compares deposits to receipts posted		X							
Prepares bank		X							
4.reconcilement		X							
Approves bank		X							
5.reconcilement	X								

FINAL REVIEW OF SEGREGATION OF DUTIES

Compare incompatible duties across the groupings of:

- ☐Cash Receipts
☐Cash Disbursements
☐Cash